

VZCZCXRO1625  
PP RUEHBI RUEHCI  
DE RUEHBI #2054/01 3451303  
ZNR UUUUU ZZH  
P R 111303Z DEC 06  
FM AMCONSUL MUMBAI  
TO RUEHC/SECSTATE WASHDC PRIORITY 4961  
INFO RUEHBI/AMCONSUL MUMBAI 9813  
RUEHCG/AMCONSUL CHENNAI 1277  
RUEHCI/AMCONSUL CALCUTTA 1164  
RUEHRC/DEPT OF AGRICULTURE USD FAS WASHINGTON DC  
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 MUMBAI 002054

SIPDIS

SENSITIVE

SIPDIS  
DOC FOR 4530/MAC/AMESA/ASO/LDROKER/ASTERN  
USDA FOR FAS'ITP/TPOMMEROW/JFLEMINGS/MFORD

E.O. 12958: N/A

TAGS: EAGR ECON EAID PREL IN

SUBJECT: JULY RELIEF PACKAGE NOT ENOUGH, FARMER SUICIDES CONTINUE IN RURAL MAHARASHTRA

REF: MUMBAI 1266

Summary

**¶1.** (SBU) Farmer suicides have continued in the drought affected Vidarbha region of Eastern Maharashtra in spite of Prime Minister Manmohan Singh's debt relief package announced in early July. Over 900 farmer suicides have been reported in Vidarbha this year, 300 of which occurred after the July announcement. Under the debt relief package, full interest on debts is to be waived in highly affected areas and loans rescheduled over a three to five year period. However, according to our contacts the ongoing suicides indicate: 1) that debt relief is not reaching those who need it most; and, 2) that inability to repay loans is symptomatic of larger, underlying issues such as drought, lack of crop diversification, poor infrastructure, and ill-conceived state economic policies. Local media and opposition party politicians sometimes blame free-market forces and globalization for Vidarbha's farmer suicides, but it is precisely the lack of market liberalization and corporate farming, and the continuation of subsidies and interference by government buying offices, that have been largely responsible for this tragedy. End summary.

Debt relief package failing

**¶2.** (U) Farmer suicides have continued unabated in the drought affected Vidarbha region of Eastern Maharashtra, despite a \$830 million debt relief package targeting farmers that Prime Minister Manmohan Singh announced during a visit to the area in early July (reftel). Of the over 900 farmer suicides reported this year in Maharashtra, 300 have occurred after the July announcement. Suicides are concentrated in Vidarbha at higher levels than other agricultural producing regions, experts contend, because cotton is the area's single crop, and Vidarbha's cotton farmers have suffered weather-driven crop failures and spiraling debt since 2004. A recent study by a Maharashtra journalist noted that 86 percent of the local farmers who committed suicide were debt ridden, 66 percent primarily grew cotton, and all were paying between 48 and 60 percent interest to "unofficial" moneylenders.

**¶3.** (SBU) The Prime Minister's debt relief package provided a number of emergency assistance measures including full interest waivers on overdue loans in the six affected districts of Vidarbha, \$260 million in immediately available new loans, and extended rescheduling of delinquent loans (reftel). Critics complain, however, that many of the region's farmers do not

participate in the formal banking sector and, therefore, have not benefited from the relief. Kishore Tiwari, head of local civil society group Vidarbha Janandolan Samiti, estimated that approximately 90 percent of small and tenant farmers' debts were with private moneylenders. Since there is little regulation of private moneylenders, these farmers continued to languish under prohibitively high lending rates, some requiring payment of approximately \$1 interest every four months on every \$2 borrowed. Tiwari accused state officials of not taking matters seriously and claimed that he and other social activists were trying to raise awareness among the farmers about their rights in an effort to prevent suicides.

**¶4.** (SBU) Due to lack of transparency and poor regulation of these private moneylenders, debt package relief often has not gone where it is needed most, we heard. Dr. Deshpande at the Maharashtra Economic Development Council also noted the lack of coordination among the different government bodies involved. The IGIDR report recommended that time taken for scrutiny and receipt of compensation should be streamlined and minimized in order to reach those in need quickly.

Debt: symptom or disease?

-----

**¶5.** (SBU) The continued high rate of farmer suicides in Vidarbha indicates that inability to repay loans is symptomatic of larger, underlying issues such as lack of crop diversification, poor infrastructure, recent deterioration in regional climate and soil conditions, and inadequate local investment, Dr. A. Deshpande at the Maharashtra Economic Development Council told us. Deshpande and other observers claimed that, while the state government couldn't do much about the weather, its poor economic policies, including specifically cotton price supports, and inefficient administration of public programs (reftel), have exacerbated the situation. Instead of investing state revenues

MUMBAI 00002054 002 OF 002

in irrigation systems, storage facilities, roads, and farmer-oriented information technology, like real-time commodities pricing, the GOM has propped-up cotton prices almost exclusively to the benefit of the region's ubiquitous agricultural traders and middle-men.

**¶6.** (SBU) One GOM policy, in effect since December 2002, may even encourage suicide, our contacts worry. The GOM grants over \$2200 to family members of farmers who kill themselves.  
(Comment: Of course, it is a sad indication of just how low agriculture incomes are in India that farmers might contemplate suicide for such a sum. End comment.)

**¶7.** (U) Studies by the Tata Institute of Social Sciences and the Indira Gandhi Institute of Development Research point to additional pressures, such as few alternative off-farm jobs, inadequate social support networks, and psychological issues related to the stigma of these farmers' heavy indebtedness and low social position, and the weighty consequences this creates in India's highly stratified cultural superstructure. Culturally, for instance, it is important to participate financially in local festivals and provide lavish weddings for daughters and sisters, and many of Vidarbha's farmers have been unable to meet these familial obligations. While some of these factors are universal to farming communities world-wide, they have hit Vidarbha hard, the study observes.

Comment

-----

**¶8.** (SBU) Farmer suicides continue to be a politically sensitive issue in Indian society. Local media and opposition party politicians sometimes blame free-market forces and globalization for Vidarbha's plight, but it is precisely the lack of market liberalization and corporate farming, and the continuation of subsidies and interference by government buying offices, that have been largely responsible for this tragedy. There are more responsible and effective ways for the state to support the

affected region's farmers than through distorting measures that do not give farmers the incentive to adapt to changing market conditions and cushion their and their families' transition to new market realities. Although the Prime Minister's debt relief package -- if corrected -- might become an important first step in assisting affected farmers, the creation of social safety nets, bankruptcy protection, drought assistance, crop insurance, and other risk-mitigating instruments also might prove helpful in curbing farmer suicide in Vidarbha and elsewhere. End comment.

OWEN